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CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: State Budget Update

MEETING DATE: December 3, 2003

PREPARED BY: Deputy City Manager

RECOMMENDED ACTION: That the Council receive a verbal report from the City Manager regarding the State of California budget.

BACKGROUND INFORMATION: At the request of Mayor Hitchcock, this item is placed on the agenda to allow for State budget updates. As has been portrayed in the media, Governor Schwarzenegger "rolled" back the Vehicle License Fee (VLF) promised during his campaign. The net effect to cities is still unknown and may not be determined for some time. The City of Lodi budgeted to receive approximately \$3.5 million in VLF. Included within the \$3.5 million is the approximate \$2.3 million as the backfill.

Attached for Council's information is the most current information from the League of California Cities dated November 25, 2003.

FUNDING: None

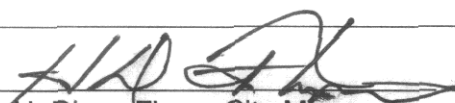


Janet S. Keeter
Deputy City Manager

JK/sl

Attachment

APPROVED:



H. Dixon Flynn, City Manager



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Today is Tuesday, 25 November, 2003. It is 2:02 PM. Good afternoon!

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Governor Rolls Back "Car Tax"**-- Cities Urge Legislators, Administration to Keep VLF Promise to Local Services**

Posted: 11/21/03

It happened with breathtaking speed. On November 17, almost immediately following his swearing-in ceremony, Governor Arnold Schwarzenegger fulfilled his campaign promise to roll back the "car tax". He issued an Executive Order rescinding the June 20, 2003 letter to the Director of Finance that reinstated the full VLF and eliminated the VLF offset (also the "backfill") from the State General Fund. The order also directs the Department of Transportation to reinstate the General Fund offset to the VLF provided by state law and requires taxpayers all overpayments of VLF as a result of the June 20 increase.

The same day, the Governor called an extraordinary session of the Legislature to consider (1) a March 2, 2003 general obligation deficit bond issue; (2) a March 2, 2004 constitutional amendment to increase the motor vehicle license fee from the General Fund; **and** (3) "To consider and act upon legislation relative to funding the motor vehicle license fee from the General Fund."

The Governor also called two other extraordinary sessions, one to repeal SB 60 (which authorizes illegal immigrants to obtain California drivers' licenses, and work without compensation reform. (See "[League Will Support Governor's Workers Compensation Proposal](#)")

IMMEDIATE IMPACT ON LOCAL SERVICES

Cities and counties faced an immediate loss of almost 70 percent of their vehicle license funds for the rest of the fiscal year — for cities, approximately \$105 a month. Stunned officials realized that unless the legislature acted immediately on the Governor's request to fund a backfill, they would need to implement budget cuts.

Budget Committee hearings in the Senate and Assembly did little to allay local government concerns. Democratic legislators complained about the lack of details from the Governor on what cuts the Governor would support to fund a VLF backfill, or how he would spend the proposed \$15 billion bond deficit financing bond. Senate President John Burton told reporters and others that he would wait for the Governor to identify cuts to fund the backfill.

By Friday the question of cuts was still hanging, but Senator Jim Brulte tackled the issue head on by introducing SB X5 1 (first bill, 5th Extraordinary Session), appropriating \$1 billion to keep city and counties services funded. The urgency measure does not address the question of cuts.

NEXT STEPS FOR CALIFORNIA CITIES

It is vitally important for city officials to contact their legislators and the Governor, a them of what an almost 70 percent cut in VLF would mean in lost city services. Ple information with the League about where your city would cut personnel or services using this information in responding to press calls and it's very helpful in discussior legislators and the Administration.

The League is working with our LOCAL coalition ("Leave Our Community Assets L organize a press conference in Sacramento, possibly timed to coincide with key ac Senator Brulte's SB X5 1. Participation by police and fire chiefs and officers is part important. You will hear more about this press conference through your League re representative in the days ahead.

LOCAL ACTIONS URGED

It is vitally important during this period for city officials to tell their city story at the lc The voters strongly support rolling back the VLF. They support Governor Schwarz action, and will continue to do so. Our goal at this time is to urge legislators and the Administration to **keep the promise made to local government in 1998**, by apprc funds needed to protect local services. City officials can help deliver this message, educating their employees, citizens and the press about cuts the city would have to state fails to keep its promise on the backfill.

Specifically, we ask city officials to do the following:

1. **Contact your legislators and the Governor immediately.** Tell them what in your city, and the cuts that you will be forced to make – or are making — legislature does not act quickly to keep its promise to keep these services l passing SB X5 1. ([Click here](#) for a city-by-city chart showing the monthly to your city. Need a sample letter? Visit the [League' Advocacy Center](#))
2. **Arrange a meeting with your employees** to inform them of what the loss mean to your city. Inform them of the city's and League's efforts to educate about local services and the possible implications of the cuts. (Remember these sessions informational; you may not ask employees to advocate by c their legislators, the Governor, or engaging in other advocacy activities.)
3. **Organize a public forum or emergency council meeting** to educate you and the press about what the loss of VLF will mean to your city. Explain wh city is forced to consider. Take public comment, and encourage public disc with the employees, inform the public of your city's efforts to educate legis the impact of the loss of VLF. Local press coverage can be very important story about how important it is to keep city services funded. (Remember th only inform and educate citizens; you may not ask them to write or call thei legislators.)
4. **Organize a local press briefing** to explain the cuts the city is facing. Have thoughtful, candid, factual conversation; we need reporters and editors to u what's at stake for city services. Include public safety officials and other de heads to help explain what the cuts mean in terms of specific programs an
5. **Keep the League informed** of cuts that your city is considering. We are at accumulate this information to share with the press, legislators and the Go Email information to [Megan Taylor](#), League Communications Director, tele 916.658.8228.

CONCLUSION

We are in a unique period with respect to the VLF. The voters have spoken: they do not want to pay these fees. But the Governor has clearly indicated that he understands that there is an obligation to keep local services funded. Legislators must be reminded of this obligation and convinced that – tough as it is – they must keep the state's promise to backfill local services.

This crisis demonstrates without a doubt the need for our proposed Local Taxpayer Safety Protection Initiative on the November 2004 ballot. Local services are on the line and continue to be vulnerable until the state has to be more accountable to the voters so that it does not harm local services.

We urge you to act now on the requests made in this memo. Look for more communications in the days ahead. Watch our website for updated communications.

- [Senator Brulte's Press Release on SB 5X 1](#) -PDF

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